USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 1/5/2009

GAIN Report Number: MY9002

Malaysia

Retail Food Sector

Retail Food Malaysia

2009

Approved by:
David W. Cottrell
U.S. Embassy, Kuala Lumpur

Prepared by:
Stantons, Emms and Sia

Report Highlights:
Malaysia is one of the more affluent nations in Asia with a GDP per-capita of about US$6,807 in 2007. Most economic commentators forecast Malaysia's economy to grow by between 5percent to 5.5percent in 2008 and between 3.4 percent and 4 percent in 2009. The current total retail sales of food and beverages are estimated at US$ 11 billion. The forecast for this sector is likely to grow by around 10 percent per annum over the next three to five years. Malaysia imported US$ 5.1 billion of food and beverage products in 2007. Food imports have been growing on an average of over 20 percent per annum over the past few years and will likely to grow at similar rates over the next five years.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Kuala Lumpur [MY1]
[MY]

Table of Contents

1. Malaysia in profile 3

2. Food retail market summary 3
2.1 Malaysia's food retail sector in overview 4
2.2 Advantages and challenges for US exporters 8

3. Road map for market entry 9
3.1 Supermarket, hypermarket and department stores 9
3.2 Convenience stores and petrol station stores 12
3.3 Traditional stores including provision, grocery and sundry shops 13

4. Competition in the sector 14

5. Best products prospects 21

1. Malaysia in profile

Malaysia is one of the more affluent nations in Asia with a GDP per-capita of about US$6,807 in 2007. It is now regarded as an upper middle income country and is ranked 8th wealthiest nation within East Asia by the World Bank. Its economy sits on a firm foundation in a mixed economy that comprises strong agricultural, services and manufacturing industries. In 2007, the economy grew by 6.3 percent, compared to 5.8 percent growth in 2003. Most economic commentators forecast Malaysia's economy to grow by between 5percent to 5.5percent in 2008 and between 3.4 percent and 4 percent in 2009.

Malaysia has a multi-racial population of around 27.7 million in 2008, all of whom are multi-lingual, speaking at least two languages fluently, including English which is widely used in the business environment. Malaysia still has a young population today with 32 percent aged 15 years and below and 63.5 percent in the 15 year to 64 year age range. Around 97 percent of the working population continues to be gainfully employed. Over 60 percent of the populations are in the middle to high income group with a growing purchasing power. Malaysia can be compared to Singapore in the 1980s when improving sophistication and modernization of local lifestyles were becoming evident, leading to increasing consumption of imported food and beverages from western countries. Today, Malaysia provides a significant pool of active consumers who will continue to modernize their eating habits, leading to increasing consumption of imported food and beverages.

2. Food retail market summary

Malaysia has a large and growing food retail market that is supplied by local and imported products. Trade sources estimate that total retail sales of food and beverages amount to between US$ 10 billion and US$11 billion today. They added that the food retail sector has been growing at between 6 percent and 7 percent per annum over the past five years and forecast that the sector is likely to grow by around 10 percent per annum over the next three to five years, depending on the state of economic growth over the next three to five years.

The Table below provides an overview of the size of the import market for food and beverage products over the five years to 2007.

Imports of Food and Beverage Products (US$ million)					
	2003	2004	2005	2006	2007
Meat & meat preparations	204	249	273	265	343
Fish & fish preparations	331	478	469	503	561
Dairy products, eggs & honey	312	401	445	449	705
Edible vegetables	281	353	403	451	467
Edible fruits & nuts	119	126	134	145	177
Coffee, tea, mate & spices	89	148	138	205	293
Processed meat, fish & seafood	35	48	50	56	63
Sugar & sugar preparations	278	305	348	454	528
Processed cocoa products	320	383	443	731	873

Processed cereal products	192	273	289	307	350
Processed vegetables and fruits	66	75	82	93	142
Miscellaneous processed foods	173	239	267	288	331
Beverages	111	164	167	185	252
Total	**2,511**	**3,242**	**3,508**	**4,132**	**5,085**
Source: Department of Statistics					

Malaysia imported US$ 5.1 billion of food and beverage products in 2007. Food imports have been growing on an average of over 20 percent per annum over the past few years. Trade sources comment that imports of food products will likely continue to grow at similar rates over the next five years.

Malaysia has a significant and growing food manufacturing industry. The food manufacturing industry is largely domestic oriented, although a number of the larger companies also target the ASEAN markets and Japanese market with their food products. Trade sources indicated that, in 2007, the food and beverage manufacturing industry amounted to around US$ 11 billion. The industry is involved in the manufacture of alcoholic and non-alcoholic beverages, dairy products, cooking oil, coffee and tea, cereal-based foods, spices and spice mixes, sauces and condiments, processed fish and meat products, chocolate and snacks, baked products and other cooked food preparations, including frozen foods.

The halal factor

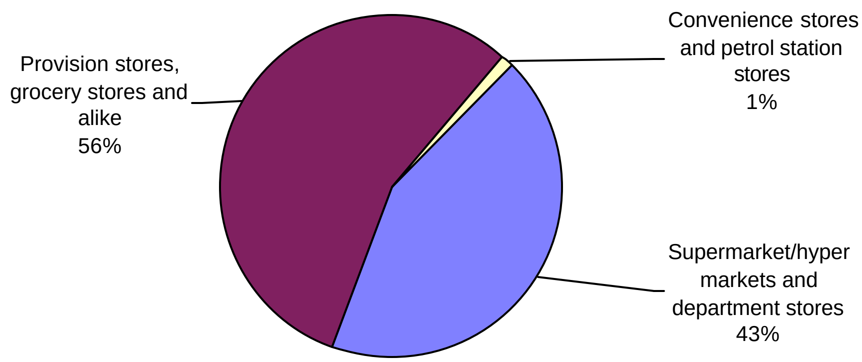
With a Muslim population of 60 percent, the demand for *halal* foods by Malaysian consumers has increased over the years. Foreign meat (except pork) and poultry plants intending to export to Malaysia must be accredited by the Malaysian Department of Veterinary Services and the Department of Islamic Development for halal purposes. The Malaysian halal standards are perceived as stricter than those of other Islamic countries. Hence, opportunities to increase exports of meat (except pork) and poultry hinges on the halal approval.

In recent years, the expectation of *halal* standard in food products have extended from meat and meat products to non meat-based products such snacks, confectionery, dairy, bakery, etc. The Malaysian government and many companies are marketing the *halal* standards as a new benchmark for quality, hygiene and safety. Food products and ingredients that have *halal* certificates are perceived to have added marketing value in Malaysia. Hence, most retailers, foodservice operators and food manufacturers are inclined to ask for *halal* certificates for non-meat based food products and ingredients.

2.1 Malaysia's food retail sector in overview

The food retail sector continues to remain fragmented today, with around 56 percent being made up of small retailers operating in provision shops, grocery stores and other non-air conditioned sundry shops throughout the country. The Chart below shows the structure of the food retail sector in Malaysia today.

Structure of Food Retail Sector (2007)



Source: Trade sources

According to trade sources, the bulk of retail food sales are channelled through the traditional stores, such as provision stores, grocery stores, specialty food stores and other sundry shops. This sub-sector commands close to 56 percent of total food sales today. Modern stores such as supermarkets, hypermarkets and department stores with supermarkets only have around 43% share of the nationwide retail food market. Convenience stores have remained insignificant, with only about 1% share of the nationwide retail food market.

Malaysia's food retail sector is made up of:

1. Large food retail stores such as supermarkets, hypermarkets and department stores

Large food retail stores such as supermarkets, hypermarkets and department stores that also operate supermarkets within the premises are largely located in the major cities, urban centres and larger towns in Malaysia, where the majority of the middle to high income consumers reside. The major food retailers usually operate chain stores that are strategically located to capture their target consumers. It should be noted that hypermarkets, supermarkets and departmental stores are not permitted to operate for 24 hours a day by the Ministry of Domestic Trade & Consumer Affairs. The major food retail operators active in this sub-sector include:

- The Cold Storage Group which is the largest food retailer in Malaysia in terms of sales as well as number of retail outlets, according to trade sources. It operates hypermarkets and supermarkets nationwide under the Giant and Cold Storage brands. The Giant supermarkets and hypermarkets are known as a home-grown trusted brand. Giant is well-known to local shoppers as the store that offers the best value-for-money products. Giant targets the mass market and is today the largest supermarket chain in Malaysia. Cold Storage targets the upper middle to high income shoppers as well as high income expatriates residing in Malaysia. Cold Storage is perceived by local shoppers as a store that targets the well-to-do shoppers as well as western expatriates. It carries a wide variety of local products as well as imported products, especially products from Europe, USA, Canada, Australia, New Zealand, South Africa and some Latin American countries.

- Tesco Malaysia which is one of the largest food retailer in Malaysia in terms of sales, according to trade sources. It operates Tesco and Tesco Extra stores in the major cities in Malaysia. Tesco Malaysia is aggressively targeting the mass market with its competitively priced products. It carries mainly locally sourced products as well as a sizeable proportion of imported products, and has the widest selection of price competitive products from the United Kingdom.

- Carrefour Malaysia which is a major food retailer in Malaysia. It operates hypermarket chains that target the mass market with its price competitive products. Carrefour is a well-known foreign hypermarket brand in Malaysia, being one of the first few foreign hypermarket brands to enter Malaysia. It carries a wide variety of local products as well as some imported products, especially products from Europe.

- AEON Malaysia which operates the Jusco Stores nationwide. Jusco is the largest high end department store chain in Malaysia that also operates a full scale supermarket within its stores. Jusco operates high end stores that target the middle to high income shoppers. It carries a wide variety of local premium branded products as well as imported products, and carries the widest selection of products from Japan.

- The Store is a major food retailer in Malaysia in terms of sales and number of outlets, according to trade sources. This department store chain operates a supermarket within it store. It is a home-grown store that targets the mass market with price competitive products. The Store carries largely local products, with some of the more popular imported products that are also carries by competing stores.

The retail outlets that target the middle to high income locals and expatriates carry more varieties and higher volumes of imported branded products from western countries such as Australia, New Zealand, the USA, Canada, France, Italy, the United Kingdom and other parts of Europe.

Such products would include fresh produce such as chilled beef and lamb, fresh temperate fruits and vegetables, chilled cold water fish such as salmon, frozen vegetables, sausages, delicatessen meats, pastry and pies, dairy products, high end biscuits and cookies, confectionery such as premium/branded chocolates and candies, potato based snacks, canned fruits, canned soups, canned meat, breakfast cereals, pasta, sauces, spices, seasonings, dressings, ready meals (frozen), home bakery ingredients, fruit juices, jams and jellies, peanut butter, non-alcoholic beverages and wines, beer and other alcoholic beverages.

In addition, retailers such as Giant, Cold Storage, Carrefour, Tesco, The Store and Jusco carry products under their house/retailer brands which may be priced at 10% or more lower than comparable products, to attract the price conscious customers from the lower to middle income group.

These large retail stores also offer additional services such as in-store “wet markets”, bakeries, wine corners, alcoholic beverage corners, and health food corners as well as counter serving ready-to-consume meals and snacks to attract more customers to their stores. Other emerging services include on-line internet shopping with home deliveries. All the conveniences offered by these stores have encouraged an increasing number of middle to high income Malaysians to shop for their grocery needs at supermarkets and hypermarkets on an increasingly regular basis.

2. Convenience stores and petrol station stores

Convenience stores and petrol station stores are mainly found in the cities, larger towns and along the North-South highway. The majority of these stores are franchise operations with support from their franchisors in the form of advertising support, staff training, financing, bulk purchasing and distribution facilities.

7-Eleven is the largest convenience store chain operating 24-hour stores. 7-Eleven stores are treated like "tuck shops" by children, teenagers and young adults who usually shop for magazines, newspapers, candies, chips and other snacks, ice cream or other single-serve food and beverages that are consumed "on-the-go". Petrol station stores are also used in a similar manner by drivers and their passengers, who are usually in a hurry and would not normally browse in such stores. For that reason, most individual sales made are small in value.

These air-conditioned stores generally carry a smaller range of popular processed and packaged food and beverage products compared to those carried by the supermarkets/hypermarkets. They also carry microwaveable food products which may be heated at the store for immediate consumption. In addition, convenience stores and petrol station stores also serve ready-to-consume food and beverages such as sandwiches, fried rice, fried noodles, Nasi Lemak and other Asian cooked dishes, buns, curry puffs and alike, ready-to drink hot coffee or tea, soft drinks and other beverages. They generally do not carry perishable products such as chilled meat, fish and seafood, fresh fruits and vegetables. Most of the products are in single-serve packaging or in smaller packaging size than those carried by the supermarkets/hypermarkets.

However, the retail price of the products is generally higher in convenience stores and petrol station stores than at the supermarkets/hypermarkets.

3. Traditional stores including provision, grocery and sundry shops

Traditional stores continue to make up the largest number of food retailers in Malaysia today. They are commonly found in all the cities, towns and villages in Malaysia. They are made up of open-fronted grocery stores in shop houses or in the dry markets. This sub-sector is dominated by small family-run businesses and target the price sensitive consumers as well as those who seek convenience, particularly those housewives that prefer to shop daily for a small number of grocery items and other daily essentials.

These retail stores generally carry local traditional and Asian products and some branded products with a small number of the more popular imported food and beverage products from western countries. Their competitive advantage is in their carrying products that are ordinarily demanded by all local households and are retailed at a very competitive price.

It should be noted that these non-air conditioned stores are usually operated as specialist stores that carry only *halal* products targeted at the Muslim community, or mainly Chinese products targeted at the Chinese community or mainly Indian products targeted at the Indian community. A number of stores in the cities and larger towns have up-graded to the mini-market concept by trying to compete against the major supermarkets/hypermarkets, targeting all the races, offering better shopping ambiance with more organized shelves, wider aisle, brighter and cleaner environment, check-out counters, more varieties of branded products and alike, while still maintaining the friendly neighborly atmosphere.

2.2 Advantages and challenges for US exporters

Advantages	**Challenges**
Malaysia's economy is still showing positive growth and forecast to continue to grow and the food retail market is also continuing to expand. Most imported food and beverage products attract low import duties and Customs Duties (except for alcoholic drinks).	The Muslim population (around 60 percent of the total population) demands *Halal* products. US products need to comply with this religious requirement.
US products and brands are already well-known and well represented in the food retail market. In addition, US products have a reputation of being of high quality. This enables new-to-market US products an easier access into the retail market because the major retailers are more willing to carry US products than products from other lesser known countries. In addition, the Cold Storage Group outlets that target western expatriates as well as the high end retailers such as Jusco already carry large quantities and a relatively wide variety of imported food products from the USA.	Malaysia, Australia, New Zealand, France, China, India and other ASEAN countries continue to be strong competitors in the food retail market. Their products compete on quality and price against a number of comparable US products. US products are generally perceived as not as price competitive as similar products from countries such as Australia and New Zealand.
Young Malaysians, including young adults, are increasingly adopting US culture and trends. This is positive for US food products.	New-to-market US products do not necessarily fit local demand on taste and packaging size.
Past marketing efforts by US organisations have raised the profile of a range of US products in the eyes of consumers and retailers, e.g. fresh temperate fruits, dried fruits, wine, etc. Such activities serve to not only increase awareness and consumption of US products but also increase the perception of US products as high quality products.	Strong local products and brands exist which dominate their markets to the near exclusion of imported products, e.g. fresh vegetables, chicken, soft drinks, mineral water, cordials, beer, chocolates, biscuits and cookies, cereal-based snacks and some dairy products.

A wide variety of foreign products already "fit" into local food culture, e.g. yoghurt, ice cream, potato and cereal based snacks, infant food, temperate fruits and vegetables, soft drinks and other non-alcoholic drinks such as cordials. This trend will continue into the future as more Malaysians modernise their diets.	Certain US products are not readily accepted by many Malaysians and so are ignored, e.g. turkey, snack products, ready-to-consume prepared meals. Some US products do not readily fit into the local food culture. To expand demand for these products, Malaysians need to be educated on how such products should be best consumed, prepared or localised so that these products become entrenched into their diet.

3. Road map for market entry

3.1 Supermarket, hypermarket and department stores

3.1.1 Company profiles

The Table below provides information on the major retailers involved in the operation of supermarkets, hypermarkets and department stores.

Retailer Name and Outlet Type	Ownership	Sales (US$ millions)	No. of Outlets	Location	Purchasing Agent Type
Cold Storage and Giant	Local company, subsidiary of Dairy Farm International of Hong Kong	Sales information not released. Largest hypermarket chain.	19 Cold Storage supermarkets and 89 Giant hypermarkets. Giant is a trusted retail name in Malaysia.	Nation-wide	Direct sourcing preferred with a number of preferred agents used.
Carrefour	Local company, subsidiary of Carrefour France	Sales not disclosed.	17 hypermarkets	Major cities	Group sourcing direct from suppliers is preferred.

The Store	The Store Corporation Bhd, listed on the stock exchange	RM1.95 billion in 2007 (including non-food sales)	75 department store cum supermarkets	Nation-wide	Sources directly from local suppliers where ever possible for bulk orders. Agents used for smaller orders.
Jusco	Operated by AEON Co (M) Bhd, listed on the stock exchange. Parent company is AEON Group, Japan.	RM2.9 billion in 2007 (including non-food sales)	19 department store, with a significantly large supermarket section	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.
Tesco	Tesco Stores (Malaysia) Sdn Bhd, joint venture between Tesco UK and Sime Darby Bhd.	Sales not disclosed.	18 Tesco hypermarkets and 8 Tesco Extra hypermarkets	Major cities	Sources directly from local and overseas suppliers where ever possible for bulk purchases. Local agents used for smaller orders.

3.1.2 Entry strategy

US exporters should treat this sub-sector as a mainstream retail sector to target, particularly those retail outlets that target the high income western and Asian expatriates and middle to high income urban Malaysians.

The US exporter should consider the following when selecting major retailers to partner with in Malaysia:

- The financial strength of the retailer and its volume of business.
- The level of interest and commitment by the retailer in carrying imported US products.
- The number and location of retail outlets that target western expatriates and middle to high income local consumers residing in urban centers.

- The annual marketing program of the retailer.
- The retailer's policy towards:

  - New-to-market imported products and brands.
  - Premium and basic lines and niche products.
  - Volume of sales expected from the US products.
  - Promotional support expected from US exporters.
  - Retail pricing expected for the US products.
  - Listing fees and other costs, if any, imposed on the US exporters.

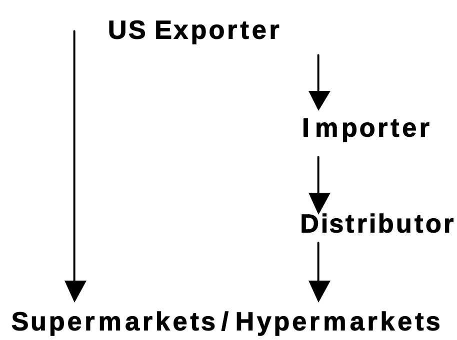
- The retailer's purchasing policy, i.e. whether they purchase directly from overseas suppliers or via local importers/distributors.

In addition, US exporters should consider the following matters when planning to enter this retail sub-sector:

- Where the product fits in the retail market, e.g. as a mass market item, high-end niche item, novelty/exotic item, seasonal festive/gift item, targeted at western expatriates, etc.
- Price competitiveness of the US products versus comparable brands in the market.
- Packaging size and quality that meets with customers' expectations.
- US products which can be easily/readily registered as *Halal* products.
- US products which can be readily accepted as alternatives/substitutes to competing products.
- US products that can be introduced into local food culture.
- US organic products and health food products that can meet retailer's requirements.
- US products which provide convenience to customers.
- The level of promotion, commitment to brand support and consumer education necessary for successful launch and development of a new-to-market product.
- Ability to meet retailer purchasing requirements and specifications.

3.1.3 Distribution channel

The Chart below provides an overview of the distribution channel for imported food and beverage products from US exporters to supermarkets and hypermarkets. It is important to note that the larger retailers prefer buying directly from overseas suppliers where possible to gain better pricing in order to pass cost savings to their customers to remain competitive in the market.



It should be noted that some sub-distributors are also used to distribute products to stores located in the sub-urban areas.

3.2 Convenience stores and petrol station stores

3.2.1 Company profiles

The convenience stores segment is dominated by 7-Eleven stores operated under franchise by Convenience Shopping Sdn Bhd. In addition, there are around 3,000 twenty-four hour petrol station stores nation-wide operated by the other petroleum companies such as Petronas (Mesra), Shell (Select), ExxonMobil (Tiger Mart and Mobil Mart), Caltex (Star Mart) and BHPetrol (BHPetrolmart). Trade sources indicated that the number of 7-Eleven stores in each Malaysian state gives a good indication of the level of modernization of the retail sector in each state in Malaysia. Today, 64% of 7-Eleven stores are located in the Federal Territory of Kuala Lumpur, the states of Selangor and Johor, which gives a very good indication that these regions hold the largest level of modern consumerism in Malaysia today.

The Table below provides information on the major business involved in the operation of convenience stores.

Retailer Name and Outlet Type	Ownership	Sales (US$ millions)	No. of Outlets	Location	Purchasing Agent Type
7-Eleven Malaysia Sdn. Bhd	Local company operated under license from Southland Corporation	Sales information not released. Largest convenience store operator.	905 outlets of 7-Eleven stores	Nation-wide	Local distributors.

3.2.2 Entry strategy

US exporters should view this as a secondary target providing incremental business, rather than as a main target. They should consider developing distribution reach into this sub-sector through their appointed distributors that service 7-Eleven and the petrol station stores. The new-to-market US exporters should consider the following matters when planning to enter the sub-sector:

- US products (*halal* certified) which are also targeted at the hypermarkets/supermarkets but are packaged in single-serve or smaller sizes.
- US products which target children, young adults and convenience seekers.
- Price competitiveness of the US products versus competing local brands carried by stores operating in this sub-sector.

3.2.3 Distribution channel

The distribution channel for the convenience stores and petrol station stores is similar to that existing for the supermarkets. An example of the distribution channel to convenience store is shown below.

US exporter

↓

Importers

↓

Distributors

↓

Convenience stores

3.3 Traditional stores including provision, grocery and sundry shops

This sub-sector has remained highly fragmented. Although a large number of establishments have remained in business for a considerable number of years, this sub-sector is also characterized by operators that enter and exit the sub-sector on a frequent basis. Because of the nature of this sub-sector, no single establishment dominates. This sub-sector has remained important in the Malaysia market place as these businesses continue to satisfy the needs of the mass market as they provide easy access to traditional products which are now fast disappearing from the modern market place due to lack of branding, modern packaging and alike of such traditional products.

3.3.1 Entry strategy

US exporters should treat this sub-sector as a very low priority retail sector to target largely due to the types of products retailed by such establishments. US exporters that wish to enter this sub-sector should supply highly price competitive products that:

- Can easily fit into the local food culture
- Can be accepted as alternatives to Asian products and brands.

New-to-market US exporters should also carefully select major local distributors that have wide and deep distribution capabilities which reach into this sub-sector.

3.3.2 Distribution channel

Traditional stores source their imported food and beverage products through local importers, wholesalers, distributors or sub-distributors. Trade sources comment that this sub-sector is well-served by the larger and more developed distributors with an established and complicated sub-distributor network because a large number of these stores are located throughout the width and depth of the country, many demanding small and irregular volumes of products.

4. Competition in the sector

The Table below summarizes the major supply sources for each product covered under this study, the strengths of the key supply sources and the advantages and disadvantages of local companies.

Product	Major supply sources	Strengths of key supply countries	Advantages and disadvantages of local companies
Beef (fresh, chilled or frozen) Import: 112,197 tons US$ 187 million (CIF value)	1. India - 83% 2. Australia - 6% 3. Uruguay - 4% 4. China - 3% 5. Brazil - 3% USA - Negligible supplier (Less than 1%)	India competes on price and dominates the supply; demanded largely by the low end mass market food service segment. Australia dominates the fresh/chilled segment in the high end food service sector with its *halal* beef. Uruguay has recently entered the market with its price competitive high quality frozen beef, targeted at the cost conscious mid to high end food service segment, competing against Australian products. China and Brazil supply price competitive good quality frozen beef targeted at the mid level food service segment.	There is insufficient supply of local beef.
Whole chicken, frozen Import: 3,282 tons US$ 5.5 million (CIF value)	1. China - 41% 2. Thailand - 41% 3. Netherlands – 14% USA - Nil	The import market is relatively small and mainly targets the food service sector. Demand for local chicken dominates due to market preference for fresh/chilled chicken available at a very competitive price. In addition, the	Malaysia is a major producer of chicken and an exporter of poultry meat. Local chicken is very price competitive. Local consumers still prefer fresh or chilled chicken to frozen chicken. There is an import

		foodservice industry only purchases halal certified poultry.	restriction on whole chicken.
Whole turkey, frozen Import: 60 tons US$ 0.3 million (CIF value)	1. Australia- 85 % 2. USA - 13%	Australia dominated the market in 2007. The major US exporters have pulled out of the Malaysian market, making the US a secondary exporter. The other countries are minor suppliers.	Turkey is largely demanded by the high end food service sector and by some western expatriates residing in Malaysia, for the festive holidays. There is no commercial supply of local turkey.
Dairy Import: 190,818 tons US$ 611.7 million (CIF value)	1. New Zealand - 42% 2. Australia - 25% 3. USA – 11%	New Zealand leads in milk powder, yoghurt, butter and cheese and is the second largest supplier of liquid milk. Australia leads in liquid milk and is the second largest supplier of milk powder, cheese and butter. The USA is the second largest supplier of yoghurt and the third largest supplier of milk powder and cheese.	Local companies are very strong in liquid milk, sweetened condensed milk, canned milk powders, yogurt and cultured milk drinks. They are all very strong companies with dominant shares within their market segments.
Breakfast cereals Import: 6,943 tons US$ 14.5 million (CIF value)	1. Philippines - 42% 2. Thailand - 11% 3. USA - 10%	Branded market dominated by Nestlé, Kellogg's and Quaker. Nestlé is supplied mainly from the Philippines and Thailand, targeting the mass market. Post, Quaker, Nature's Path and Sweet Home Farm are from the USA, targeting the niche high end market.	Nestle (Nestum) and Quaker (Quaker Oatmeal) are locally packed from imported ingredients.
Infant food, excluding dairy products Import: 22,608 tons	1. New Zealand - 26% 2. Netherlands - 12% 3. Thailand – 11%	The market is dominated by cereal based infant food (excluding dairy products). New Zealand, the	Nestle Malaysia's products dominate the cereal based infant food segment (excluding dairy products).

US$ 63 million (CIF value)	USA – Minor supplier (2%)	Netherlands and Thailand are minor suppliers in the market.	
Savory snacks; potato based and other cereal based snacks Import: 7,354 tons US$ 11.7 million (CIF value)	1. China - 35% 2. Singapore - 16% 3. Indonesia - 12% 3. Thailand - 12% USA – Minor supplier (4%)	China, Singapore, Indonesia and Thailand largely supply Asian type snacks.	Local products dominate this snacks market with very widespread national distribution reach. Malaysia's locally produced branded products such as Jack & Jill, Roller Coasters, Pringles and Twisties compete on price against imports
Baked products Import: 17,395 tons US$ 28.6 million (CIF value)	1. China - 31% 2. Indonesia – 16% 3. Thailand - 16% USA – Minor supplier (4%)	China supplies a variety of Nabisco biscuit products to Malaysia as well as some China biscuit brands. Indonesia supplies Nabisco Kraft's biscuit products. Thailand supplies Japanese type biscuits.	Malaysian products dominate both the cakes and sweet biscuits segments with its branded price competitive products such as Julie's, Munchy, Hup Seng, Hwa Tai and Danone's products e.g. Chipsmore, Jacob's and alike.
Fresh vegetables Import: 913,333 tons US$ 367.7 million (CIF value)	1. China - 48% 2. India - 20% 3. Thailand - 15% USA - Minor supplier (1%)	China leads in potatoes, onions, cabbages, lettuce, carrots and legumes. India is the second largest supplier of onions. Thailand is the leading supplier of tomatoes, cucumber and other vegetables.	Malaysia dominates the market with its consistent ability to supply good quality, competitively priced temperate vegetables. It is a major exporter of fresh Asian and temperate vegetables to Singapore.
Frozen vegetables Import: 13,424 tons US$ 10.7 million	1. China - 40% 2. New Zealand - 21% 3. USA – 11%	China is the leading supplier of frozen mixed vegetables. Over 80% of China's exports are frozen mixed vegetables, mainly targeted at the food	Malaysia produces some frozen sweet corn. It is not a major producer of frozen vegetables.

(CIF value)		service sector. New Zealand is the leading supplier of frozen potatoes. Over 53% of its exports are of frozen potatoes. USA is the second largest supplier of frozen potato products (largely frozen French fries), mainly targeted at the food service. It also supplies frozen cut potato under supermarket house brands. Over 85% of its exports are of frozen potatoes. It also supplies other frozen vegetable products (hash brown, onion rings and alike).	
Fresh fruits, temperate Import: 353,489 tons US$ 102.5 million (CIF value)	1. China – 46 % 2. South Africa - 17% 3. USA - 9%	China leads the market with Mandarins, Fuji apples and Chinese pears and second largest supplier of kiwifruits. South Africa is the largest supplier of oranges, lemons, grapefruits and pears and the second largest supplier of apples and second largest supplier of grapes. USA is the largest supplier of apricots, cherries, plums, strawberries, raspberries and alike, cranberries and grapes and the third largest supplier of apples, pears and peaches.	Malaysia does not produce fresh temperate fruits.

Dried fruits Import: 39,028 tons US$ 33 million (CIF value)	1. Myanmar – 18% 2. China - 15% 3. Indonesia - 13% 4. Iran - 12% USA – 6th largest supplier (8%) of dried fruits and the largest supplier of dried grapes.	Myanmar only exported other dried fruits (mainly Asian type fruits) to Malaysia, dominating 40% of this segment of the import market. Over 87% of China's exports were fro Chinese dates, dominating the supply for this segment of the market. Indonesia is the second largest supplier of other dried fruits (mainly Asian type fruits) to Malaysia. Iran is the largest supplier of Middle-eastern dates and figs and the second largest supplier of sultanas.	Malaysia is not a major supplier dried fruits.
Edible nuts Import: 50,482 tons US$ 41.5 million (CIF value)	1. India - 44% 2. China - 25% 3. Indonesia - 11% USA - Minor supplier (4%) of edible nuts but the largest supplier of shelled almonds and second largest supplier of pistachio.	India leads in supplying groundnuts by offering very competitive prices. China is the second largest supplier of groundnuts, and leads in the supply of walnuts, chestnuts and pistachio. Indonesia is the largest supplier of groundnuts in shell and other nuts.	Local brands such as Tong Garden, Camel and Tai Sun have a very strong presence in the market.
Sugar confectionery Import: 13,588 tons US$ 26.7 million (CIF value)	1. China - 40% 2. Thailand - 25% 3. Indonesia - 24% USA – Negligible supplier (Less than 1%)	China is strong in supplying price competitive hard boiled candies that have a traditional demand from local consumers. Thailand supplies Cloud 9, Nabisko Kopiko, Strepsils, Jack n Jill and various Thai brands. Indonesia supplies Mentos, Sunkist, Fox's and various lower quality Indonesian brands.	Malaysia supplies a large variety of products targeted at local consumers, including Dino, Camel, Santa, Hacks, Hudson's and alike.

Chocolates Import: 7,003 tons US$ 47.2 million (CIF value)	1. New Zealand - 13% 2. Australia - 12% 3. USA - 10%	New Zealand supplies Cadbury products and Nestle products which are not manufactured in Malaysia. Australia supplies Mars, Time Out, Twix, Skittles, M&M and alike. USA supplies Hershey Kisses and Bars which provide an alternative product to chocolate lovers. All these countries target the mass market.	Malaysia produces a number of good quality chocolate products. Local manufacturers mainly target consumers that prefer chocolates in conveniently packed single serve bars as well as large bars as well as party packs and in gift boxes. Locally manufactured chocolates include well known brands such as Cadbury, Vochelle and Beryl's.
Sauces and seasonings Import: 22,470 tons US$ 36.3 million (CIF value)	1. Thailand - 34% 2. China & Hong Kong- 26% 3. Singapore - 15% 4. USA – 8%	Thailand is a major supplier of fish sauce and chili sauce. China and Hong Kong are major suppliers of other high end Asian sauces such soya sauce, oyster sauce, plum sauce and alike. Singapore supplies high quality price competitive Asian sauces such as sambal, satay, rending, chicken rice sauce and alike. The USA is a major supplier of western sauces such as salad dressing, spaghetti sauce, mixed condiments, barbeque sauce, black pepper sauce, Thousand Island Dressing, salad cream, salsa and alike.	Locally produced soya sauce, tomato sauce and other Asian sauces have a very strong presence in the market.
Non-alcoholic beverages Import: 32 million liters	1. Thailand - 28% 2. China - 9% 3. USA – 9%	Thailand leads in supply of orange juices, pineapple juices and mixed fruit and vegetable juices,	Local branded mineral water, juices, cordials and soft drinks dominate the

US$ 48.7 million (CIF value)		cordials, Asian drinks as well as other non-alcoholic drinks. China leads in the supply of apple juices and also second largest supplier of Asian drinks. The USA is the largest supplier of tomato juice and second largest supplier of other fruit juices to Malaysia with products such as Welch's, Del Monte, Minute Maid, Ocean Spray.	market.
Wine Import: 7 million liters US$ 42.5 million (CIF value)	1. Australia - 46% 2. France – 13% 3. USA - 11%	Australia has developed a higher presence in the market because of its price competitive New World grape wines and strong brand presence. France dominates the food service market and competes on quality and price. USA supplies well-known brands of New World wines to both the retail and food service sectors.	Malaysia does not produce any grape wine.
Beer Import: 14 million liters US$ 17.1 million (CIF value)	1. Singapore - 34% 2. China - 16% 3. Netherlands - 9% USA - Minor supplier (1 %)	Singapore is a major re-exporter of foreign beer into Malaysia, including beers from Belgium, Denmark, Germany and Mexico. Most of these are very price competitive beers with brands that are not well-known to the consumers. China exports TsingTao and Yanjing beers to Malaysia. Netherlands exports Grolsch and Breda which is supplied to the mid to high end	The market is dominated by locally brewed beers. Malaysia has two major breweries that are aggressive brand driven businesses which proactively protect their market shares.

		western-style food service sector in the major cities and tourist centers such as Langkawi.	
Spirits Import: 11 million liters US$ 162.4 million (CIF value)	1. UK - 35% 2. Singapore – 29% 3. France - 18% USA - Minor supplier (4% share)	UK dominates in the supply of whiskies, Gin and vodka. Singapore is a major re-exporter of whiskies and vodka to Malaysia. France dominates the brandy sector with its well known brands.	Local production is negligible.
Pet food Import: 26,391 tons US$ 35.1 million (CIF value)	1. Thailand - 54% 2. USA - 18% 3. Australia - 16%	The market is dominated by Friskies (Australia) Pedigree (Australia & Thailand) and Whiskas (Thailand) and Purina (Thailand & USA). Thailand also supplies very price competitive CP Smartheart (Thai brand) and Australia also supplies Cesar.	Malaysia does not produce any processed and packed pet foods.
Source: Department of Statistics, market observations and trade comments			

5. Best products prospects

The main aim of this study is to make a broad based assessment of the attractiveness of the target market segments for U.S. products and rank each segment in accordance with the following criteria:

- Category A: U.S. products are available in significant quantities in the market segments which have good sales potential.
- Category B: U.S. products not present in significant quantities in market segments which have good sales potential.
- Category C: U.S. products not present in market segments because they face significant barriers

It should be noted that this market attractiveness review has been developed from a broad study of the Malaysia market and not detailed market studies of each segment. As a result, the reader should not construe it as the results of a full and detailed market study into opportunities for U.S. products. This assessment considers in broad terms the likely strategic direction of each market segment but does not consider or provide advice on the strategies or tactics that will be needed by individual US exporters to develop viable markets.

The following Tables consider in broad terms which of the food market segments covered by this study are attractive for U.S. products to develop over the next three years. The Table also ranks each sector according to the above referred criteria.

Category A: Products Present in the Market That Have Good Sales Potential

Product category	2003 Imports	2007 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Breakfast cereals	8,943 tons US$ 11 million (CIF value)	6,943 tons US$ 14.5 million (CIF value)	Declining by 4% per annum. Not a sizeable import market.	5% duty charged on oats products. Other products incur 7% duty.	Strengths of Nestlé and Kellogg's in the market.	Category A. An attractive market for long term development based on higher disposable incomes and related changing eating habits. The breakfast cereals market has not been fully exploited yet and can be further developed and expanded.
Savory snacks; potato based and other cereal based snacks	3,157 tons US$ 5 million (CIF value)	7,354 tons US$ 11.7 million (CIF value)	26% growth per annum. The hotel operators demand small sized single served packs.	6% import duty	Strong competition from price competitive good quality locally produced branded products.	Category A. Malaysians snack all day. This market continues to be attractive for well-known brands from the USA, particular new product types not yet available in the Malaysian market. US

						exporters should capitalize on the growth in this market.
Frozen vegetables	29,613 tons US$ 21 million (CIF value)	13,424 tons US$ 10.7 million (CIF value)	Declining by 11% per annum.	Nil except for frozen sweet corn which attracts 5% import duty.	Products are mainly demanded by the food service sector (western style restaurants) as most consumers still prefer fresh vegetables which are readily available all year round.	Category A. Good prospects continue to exist for certain frozen vegetables supplied by the USA that are in demand by Malaysian consumers. Note: Food service demand continues to be important.
Fresh fruits, temperate	296,469 tons US$ 73 million (CIF value)	353,489 tons US$ 102.5 million (CIF value)	Growing by 4% per annum.	5% import duty except for fresh oranges which attracts no import duty.	The market has started to mature for fresh temperate fruits such as apples, pears and oranges. Growth in demand is still being seen in oranges, mandarins, grapes, pears and apples as well as stone fruits and berries while demand is declining for kiwifruits and less familiar berries such as cranberries.	Category A. Opportunities exist for US exporters to capitalize on growth in the berries and stone fruits segment as consumers are looking for alternatives and are becoming more familiar with them. Opportunities also exist for supply of mandarins and tangerines which are in huge demand around the Chinese New Year periods.

						Potential exists for new varieties of apples, pears and oranges to create impetus for further growth.
Dairy	163,934 tons US$ 289 million (CIF value)	190,818 tons US$ 611.7 million (CIF value)	3% growth per annum. Market growth was seen in liquid milk, yoghurt, butter, pizza and grated cheese and processed cheese. Slow growth was seen in milk powders.	20% import duty on liquid milk (in quota), 50% import duty on liquid milk (out of quota), 5% import duty on frozen milk and other milk powder under HS 040291. Nil for other products.	High levels of existing competition for market share amongst key suppliers, both local and overseas, making new entry difficult and costly. The USA is the second largest supplier of yoghurt and the third largest supplier of milk powder and cheese.	Category A for Yoghurt, infant milk powder, cheese products targeted at the middle to high income consumers. Good sales potential exists particularly for retail packed infant milk powder, pizza cheese and other grated cheese. Category C for other retail packed dairy products. This segment is not particularly attractive for other retail packed dairy products.
Chocolates	5,627 tons US$ 25 million (CIF value)	7,003 tons US$ 47.2 million (CIF value)	Very slow decline. Market is dominated by locally made branded chocolates that meet closely with consumer	15% import duty charged	Strong competition from locally manufactured branded products.	Category A. Opportunities exist in supplying gift chocolates, novelties and exotic chocolate products to capitalize on festive

			demands.			demands during the year end gift giving period.
Edible nuts	45,921 tons US$ 29 million (CIF value)	Import: 50,482 tons US$ 41.5 million (CIF value)	Growing by 2% per annum.	Nil except for groundnuts which incurs 5% import duty	The market is dominated by groundnuts which is experiencing very slow growth. Other nuts are showing growth in the market.	Category A for almonds, hazelnut and pistachio. The USA is the largest supplier of almonds and a major supplier of hazelnut and pistachio. Category C for other edible nuts. Strong competition from local brands for other edible nuts.
Sauces and seasonings	13,931 tons US$ 22 million (CIF value)	22,470 tons US$ 36.3 million (CIF value)	12% growth per annum. The market is dominated by local Asian sauces but all western sauces and seasonings are imported.	10% import duty for soya sauce and tomato sauce and similar sauces. 5% import duty for other sauces except for prepared mustard which is nil.	Very strong competition from local soya sauce and tomato sauce which meet closely with consumer taste and price expectations. USA has created a strong position in supplying western sauces to Malaysia.	Category A. Opportunities exist to continue to supply to the retail sector, particularly the western sauces not manufactured in Malaysia.
Non-alcoholic beverages	19 million liters US$ 19 million (CIF value)	32 million liters US$ 48.7 million (CIF value)	14% growth per annum. The market is dominated by local products which meet closely with consumer	Nil for fruit juices, except for pineapple juice which attracts 20% import duty and guava juice which	Very strong competition from local products and brands which meet closely with consumer taste and price expectations.	Category A. Opportunities exist for US exporters to supply juices (fruits and mixture of fruits and vegetables).

			taste. Import growth is mainly in un-sweetened beverages, including bottled water and fruit juices.	which attracts 6% import duty. 20% import duty on mineral and aerated water and other non-alcoholic beverages.		vegetables), sparkling juices (for festive seasons and celebrations) as well as products that can be targeted at the growing health food and organic food segments of the market.
Wine	4 million liters US$ 20 million (CIF value)	7 million liters US$ 42.5 million (CIF value)	15 % growth per annum. Fast growing market, particularly demanded at weddings and other major celebration as more purchasers switch to wine (sparkling and non-sparkling) from spirits.	Import duty of RM23 per liter for sparkling wine. Import duty of RM7 per liter for other wines. Excise Duty of 15% and RM34/Ltr for sparkling wine or 15% and RM 12/Ltr for other grape wines.	Wine is increasingly being consumed by the younger generation of adult urban Malaysian Chinese and Indians, particularly those educated abroad and/or are well-travelled.	Category A. Opportunities continue to exist for US exporters to expand this market for their new world wines as increasing number of young Malaysians acquire a taste for wines as opposed to whiskey and brandy.
Pet food	8,496 tons US$ 13 million (CIF value)	26,391 tons US$ 35.1 million (CIF value)	Rapidly growing at 24% per annum.	Nil	It is increasingly fashionable for the middle to upper income groups to own exotic pet dogs and cats. Few constraints/ barriers exist under conditions where	Category A. This market continues to be attractive for the USA and US exporters should capitalize on the growth in this market.

					disposable income is growing.	

Category B: U.S. Products not Present in Significant Quantities in the Market That Have Good Sales Potential

Product category	2003 Imports	2007 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Beef (fresh, chilled or frozen)	95,994 tons US$ 116 million (CIF value)	112,197 tons US$ 187 million (CIF value)	3% growth per annum.	Nil.	The import market is dominated by frozen beef (99%), largely by very price competitive frozen beef from India, demanded by the mass market. The higher income consumers demand better quality fresh/chilled beef, which is mainly supplied by Australia.	Category B Opportunities exist for US supplies of fresh/chilled halal beef targeted at the high income consumers. Note: This product category hinges on halal approval – See The Halal Factor, page 4.
Whole turkey, frozen	249 tons US$ 0.5 million (CIF value)	60 tons US$ 0.3 million (CIF value)	Declining rapidly due to the exit of US suppliers from the market. The market has shrunk as a result.	Nil.	Whole turkey is not commonly demanded by local consumers because they are not used to the taste of turkey. Turkey is only demanded during Thanksgiving and Christmas seasons by the high end hotel restaurants and	Category B. This market continues to be attractive for the USA and US exporters should continue to service this market. US suppliers should consider promoting

					a very small number of western-style restaurants.	turkey as an exotic alternative to chicken, taking into consideration that poultry is the most popular meat consumed in Malaysia. Note: This product category hinges on halal approval – See The Halal Factor, page 4.
Infant food, excluding dairy products	20,257 tons US$ 58 million (CIF value)	22,608 tons US$ 63 million (CIF value)	Growing by 1% per annum. Slow growing market. Dominated by cereal products (68%) with the balance largely made up of bottled puree fruits and puree vegetables. Products are mainly demanded by convenient seeking well-informed young mothers from	Nil	Nestlé's strength in the market. Young mothers buy prepared infant foods to provide their babies with an alternative to traditional baby foods cooked at home. They appear to prefer easy-to-prepare cereal based infant foods that are similar to traditional baby foods.	Category B. Attractive for US exporters wishing to take advantage of the convenience demanded by young working mothers. The USA is already the major supplier of branded bottled infant food and the market is continuing to upgrade on the back of higher disposable income and increasing sophistication of young urban mothers.

			middle to upper income group.			
Baked products	10,193 tons US$ 18 million (CIF value)	17,395 tons US$ 28.6 million (CIF value)	8% growth per annum. Fast growing market, popular amongst all consumers, particularly cakes and sweet biscuits consumed as a snack food.	6% on ginger-bread, sweet biscuits, waffles and wafers, un-sweetened biscuits. Nil for other baked products.	Strong competition from price competitive good quality locally produced branded products.	Category B. Malaysians snack all day long and baked products are one of the most popular snacks of Malaysians. US exporters should capitalize on the growth in this market. US exporters should consider exporting unique and exotic products of acceptable taste and flavor, products that are not readily available in this region.
Fresh vegetables	695,902 tons US$ 215 million (CIF value)	913,333 tons US$ 367.7 million (CIF value)	6% growth per annum. Fast growing market with large demand for Asian vegetables. Fastest growth seen in potatoes, onions, lettuce, cabbages, cauliflower, carrots. Growth was	Nil	Competition from local suppliers and China which supply mainly Asian vegetables to the market. The bulk of demand is for Asian fresh vegetables.	Category B. Demand for fresh temperate vegetables will continue to grow as more varieties are adopted into local food culture, particularly broccoli, cauliflower, carrots and asparagus.

			also seen in cucumbers and other temperate vegetables such as broccoli, asparagus and alike.			
Dried fruits	35,511 tons US$ 20 million (CIF value)	Import: 39,028 tons US$ 33 million (CIF value)	Growing slowly by 2% per annum. Mainly bakery sector demand although demand exists from the high end hotels.	5% import duty applies. Nil on dried dates and dried grapes.	Maturing market for traditional dried fruits such as raisins and prunes. Slow grow in dried fruits such as figs, avocado, apricot, apple, peach and other dried fruits.	Category B. US exports dominate the raisins segment and continue to have a significant share in dried prunes. Opportunities exist to supply to the growing health food and organic food segments of the retail market.
Sugar confection	9,316 tons US$ 15.5 million (CIF value)	13,588 tons US$ 26.7 million (CIF value)	Growing by 5% per annum. Consumers, particularly the younger generation, are attracted by the temptingly packaged and fun looking novelty products.	15% import duty charged	Strong competition from products made locally.	Category B. Opportunities exist in supplying novelty products targeted at the younger generation, particularly products which are not yet available in the market.
Spirits	6 million liters US$ 63 million (CIF value)	11 million liters US$ 162.4 million	Growing by 17 % per annum. Rapidly growing market.	Import duty of RM58 per liter for brandy and whiskey and RM55 per liter for	High duties on these products and consumer preference for well-known brands of brandy and	Category B. Opportunities exist for US exporters to develop the market for US

		(CIF value)	Whiskey imports grew rapidly at 33% per annum while brandy imports grew at 6% per annum.	rum, gin and vodka. Import duty of RM93.5/VPL for other spirits, liqueurs. Excise Duty of 15% and RM 30/Ltr for brandy, whiskey, gin, vodka. Liqueurs and other alcoholic drinks attract Excise Duty of 15% and RM 42.5/Ltr.	whiskey make this a costly market to enter for new-to-market brands.	whiskey and brandy brands.

Category C: U.S. Products not Present in the Market Because They Face Significant Barriers

Product category	2003 Imports	2007 Imports	5 year Average Annual Import Growth Rate	Import Tariff Rate	Key constraints over market development	Market attractiveness for USA
Whole chicken, frozen	1,139 tons US$ 1.0 million (CIF value)	3,282 tons US$ 5.5 million (CIF value)	Growing by 37% per annum. However, imports fluctuate from year to year, depending on the local supply situation. Market is dominated by local	Import duty of 20% (in quota) and 40% (out of quota).	The market continues to prefer fresh/chilled poultry to frozen poultry.	Category C. This market continues to be a challenge under conditions where the market is well served by local sources. There is an import restriction on whole chicken.

			fresh whole chicken.			
Dairy	163,934 tons US$ 289 million (CIF value)	190,818 tons US$ 611.7 million (CIF value)	3% growth per annum. Market growth was seen in liquid milk, yoghurt, butter, pizza and grated cheese and processed cheese. Slow growth was seen in milk powders.	20% import duty on liquid milk (in quota), 50% import duty on liquid milk (out of quota), 5% import duty on frozen milk and other milk powder under HS 040291. Nil for other products.	High levels of existing competition for market share amongst key suppliers, both local and overseas, making new entry difficult and costly. The USA is the second largest supplier of yoghurt and the third largest supplier of milk powder and cheese.	Category C for other retail packed dairy products. This segment is not particularly attractive for other retail packed dairy products. Category A for Yoghurt, infant milk powder, cheese products targeted at the middle to high income consumers. Good sales potential exists particularly for retail packed infant milk powder, pizza cheese and other grated cheese.
Edible nuts	45,921 tons US$ 29 million (CIF value)	Import: 50,482 tons US$ 41.5 million (CIF value)	Growing by 2% per annum.	Nil except for groundnuts which incurs 5% import duty	The market is dominated by groundnuts which is experiencing very slow growth. Other nuts are showing growth in the market.	Category C for other edible nuts. Category A for almonds, hazelnut and pistachio. The USA is the largest supplier of almonds and a major supplier of hazelnut and pistachio.

						Strong competition from local brands for other edible nuts.
Beer	23 million liters US$ 18 million (CIF value)	Import: 14 million liters US$ 17.1 million (CIF value)	Declining by 8 % per annum. The market is dominated by locally brewed products.	Import duty of RM5 per liter. Excise Duty of 15% and RM 7/Ltr for beer not exceeding 5.8 % vol and RM7.40/Ltr for other.	Very strong competition from locally produced well-known brands.	Category C. Most imports have tentative niche presence as the foreign brands are not well known to consumers.

END OF REPORT